

# Prepare Now for the New Form 990



# GUIDING PRINCIPLES

- Enhancing Transparency
  - Realistic picture of Organization for
    - IRS
    - Stakeholders
- Promoting Tax Compliance – assist IRS in assessing risk of noncompliance
- Minimize Burden of Filing Organizations – minimize unwarranted record keeping

# KEY CHANGES

- Core form 11 pages (was 9 pages)  
Expanded instructions
- Series of 16 schedules  
Only file those that apply
- Most organizations will complete only a few schedules:  
A, B, C & D (new)
- 8 of 16 schedules will be completed by < 10% of organizations.  
i.e. schools, hospitals, foreign activities

# FORM 990 SCHEDULES

- Sch A – Public Charity & Public Support
- Sch B – Schedule of Contributors
- Sch C – Political & Lobbying
- Sch D – Supplemental Financial Statements
- Sch E – Schools
- Sch F – Activities Outside of U.S.
- Sch G – Fundraising or Gaming
- Sch H - Hospitals
- Sch I – Grants & Other Assistance to Orgs, **Gov't**, Ind in U.S.
- Sch J – Compensation
- Sch K – Tax Exempt Bonds
- Sch L – Transactions with Interested Persons
- Sch M – Non-Cash Contributions
- Sch N – Liquidation, Termination, or Significant Disposition of Assets
- Sch O – Supplemental Information
- Sch R – Related Organizations & Unrelated Partnerships



Any change, even a change for the better, is always accompanied by drawbacks and discomforts.

Arnold Bennett

# FORM 990-N

- Electronic Notice (e-Postcard) for Tax-Exempt Organizations below filing threshold for Form 990 or 990-EZ
- Applies to small tax-exempt organizations whose gross receipts are normally \$25,000 or less (<\$50,000 for tax years 2010 and later)
- Must be filed electronically <http://epostcard.form990.org/>
- Effective for years ending on or after 12/31/07
- Revocation of exempt status after three years of non-compliance

# FORM 990 EZ

- Restricted from using EZ if
  - Organization maintains donor-advised funds
  - Controlling organizations describe in Section 512(b)(13)
- Part VI added to maintain reporting of information in schedules that was previously required by Form 990 EZ
  - Political and lobbying activities
  - Highly compensated employees and contractors
    - Threshold is now \$100,000 (was \$50,000)

# EXPANDED 990 EZ FILING REQUIREMENTS

Year	Gross Receipts	Total Assets
2008 (File in 2009)	>\$25,000 & < 1 Million	< \$2.5 Million
2009 (File in 2010)	>\$25,000 & <\$500,000	<\$1.25 Million
2010 & Later (File in 2011 & Later)	>\$50,000 & < \$200,000	<\$500,000



# REVISED FORM 990 FORMAT

- Most information on the revised Form 990 was included in the old form only now the information is relocated in the revised form
- Expanded disclosures on governance, compensation and processes
- Eliminates most free-form attachments
  - Schedule O

# PART I AND II

## KEY FINANCIAL DATA

- Part I: Summary page (page 1) – “Executive Summary”
  - ID information
  - Mission Statement
  - Snapshot of key financial, compensation, governance, and operational info.
  - Comparisons with prior year data
- Part II: Signature block

# PAGE 2, PART III

## PROGRAM ACCOMPLISHMENTS

- Mission statement
- New or discontinued program services
- Exempt purpose achievements
  - Three largest programs
    - Illustrate with data
  - Codes not required for 2008
  - Report Revenue and Expenses for 501 (c)(3) and (4)

# PAGE 3 AND 4

## PART IV CHECKLIST

- Checklist of required schedules
  - 37 questions to determine if additional schedules need to be completed
- Many questions are taken from old form 990 and moved or asked in yes/no to highlight required schedules
- Start with this section to determine required schedules to complete

# PAGE 5 PART V

## COMPLIANCE

- Statement regarding other IRS filings and tax compliance
- List of yes/no questions
- Compliance information
  - Compliance with 1099 requirements
  - Compliance with payroll filings
  - Expanded quid pro quo questions
  - Contributions of tangible assets (vehicles)

# PAGE 6, PART VI

## GOVERNANCE

- Governance, Management and Disclosure
- 20 questions in three separate sections requesting information about policies not required by the Revenue Code
  - Section A: Governing Body and Management
  - Section B: Policies
  - Section C: Disclosure

# PAGE 7 AND 8, PART VII COMPENSATION

- List all current officers, directors, trustees and key employees
  - Director is member of governing body if he/she has voting rights
  - **Officer includes organization's top management official**
  - Members of advisory board with no governance authority not considered director

# COMPENSATION, CONT.

Key Employee, must meet all three of the following tests:

1. Receives reportable compensation in excess of \$150,000,
2. Meets responsibility test
  1. Has power of influence
  2. Manages 10% or more of activities
  3. Authority to control 10% or more of expenditures
3. Is one of the top 20 employees that satisfy the \$150,000 and responsibility tests.

(Independent management companies excluded)



# COMPENSATION, CONT.

- List 5 highest compensated employees of more than \$100,000 (previously \$50,000)
- List all former officers, directors, trustees and key employees (5 years) compensated more than \$100,000 or \$10,000 of severance
- Check box if no compensation
- Specific ordering rule
- List name and title
  - Addresses for individuals not required

# COMPENSATION, CONT.

- Calendar year data even for fiscal year organizations
  - W-2 box 5 or 1099 box 7
- Questions for requiring Schedule J
  - Reporting of complex compensation arrangements
- Section B – highest paid contractors paid more than \$100,000
  - Threshold up from \$50,000 in 2007

# PAGE 9, PART VIII

## STATEMENT OF REVENUE

- All revenue on one page
  - Combines page 1 and page 8  
(analysis of income producing activities)
- Elimination of UBI and exempt codes
  - Exempt codes replaced with business codes
- Threshold for Schedule G
  - More than \$15,000 of fundraising and gaming gross revenue

# PAGE 10, PART IX

## FUNCTIONAL EXPENSES

- No material changes, presentation changes include:
  - Separates reporting for foreign grants
  - Expanded presentation for fees for services
  - Expanded classifications for expenses
  - Limits miscellaneous expense to 5% of total expenses

# PAGE 11, PART X AND XI BALANCE SHEET

- References Schedule D and Schedule L for additional information
  - Schedule D – Financial Information
  - Schedule L – Related Party
- Questions added regarding financial statements and reporting
  - Method of accounting
  - Compilation, review, audit
  - A-133 audit for federal funds

# SCHEDULE A – PUBLIC CHARITY

- Complete for all 501(c)(3) organizations and some 4947(a)(1) organizations
- Cash basis requirement eliminated
  - Use accounting method for Form 990
  - Restate prior years
- 5-year look back test vs. 4-year look back
- Advance ruling period eliminated
- Separate public support schedules for 509(a)(2) organizations

# SCHEDULES B & C

- Schedule B – Schedule of Contributors
  - Government contributions added to list
  - New Sch M for non-cash contributions
    - > \$25,000
- Schedule C – Political Campaign & Lobbying Activities
  - Moved from Schedule A
  - Extended political reporting

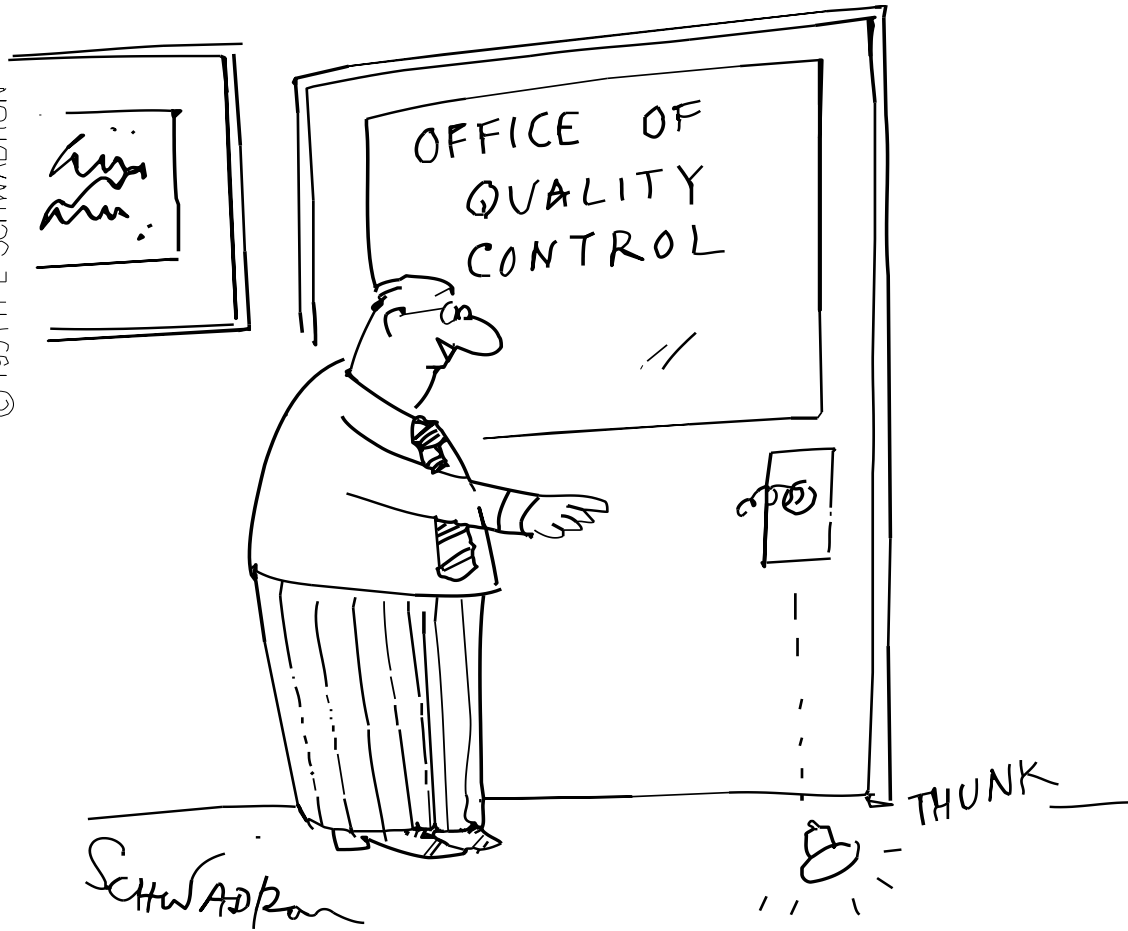
# SCHEDULE D

- Supplemental Financial Statements
- Standardizes additional information required by core form such as:
  - Donor-advised funds
  - Conservation easements
  - Collections of art and historical treasures
  - Custodial arrangements
  - Endowment funds
  - Investments in land, buildings and equipment



# FISCAL RESPONSIBILITY

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# POLICIES

- Purpose

- Interpret the broader governing documents including bylaws, articles of incorporation, and mission statement
- Promote organization's good name and reputation

- Policies should be adopted by the Board and reflected in the minutes

- New policies should be stored in the organization's policy manual

# POLICIES, CONT.

- Specific questions about an organization's policies are included on the Form 990
  - Record Retention
  - Whistle-blower Policy
  - Conflict of interest
  - Process for Determining Compensation

# POLICIES, CONT.

- Best practices -- include policies and procedures regarding:
  - Audit Committee
  - Board Minutes
  - Public Records

# POLICIES, CONT.

- Records Retention

- Address retention and destruction
- Follow state laws
- Train personnel, apply consistently

- Whistle-blower Policy

- Encourage staff and volunteers to speak up on credible information regarding illegal practices without retaliation

# POLICIES, CONT.

- Conflict of Interest Policy
  - Request Board members, key employees as well as others to disclose conflicts of interest (potential or real) to Board of Directors
- Describe process for review of compensation
  - Review and approval by independent persons, comparability data
  - Substantiation

# POLICIES, CONT.

- Audit Committee

- Accountability/Independence

- Greatest responsibility

- Ensure organization is in compliance with tax laws and does not endanger tax-exempt status

- Finance or audit committee works with external and internal auditors

- Oversees processes of organization

- **Assures integrity and credibility of organization's financial statements**

# POLICIES, CONT.

- Board Minutes

- Document actions of governing Board
  - Contracts
  - Compensation arrangements
  - Approval of changes in governing documents, operations
- Include minutes from subcommittees
- Contemporaneous documentation



# POLICIES, CONT.

- Public Records (Disclosure)
  - Address how records/documents are available to the public
    - Organizational and governing documents
    - Form 990 and 990T
    - Financial statements
    - Audit report

